

Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 00853 01 OF 02 212248Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 SOE-02 AID-05 CEA-01
COME-00 EB-08 DOE-11 H-02 INR-10 INT-05 L-03
OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07 TRSE-00
ACDA-12 PA-02 DOEE-00 /111 W
-----110702 212300Z /63

O 212237Z FEB 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 6380

INFO AMCONSUL CALGARY

AMCONSUL HALIFAX

AMCONSUL MONTREAL

AMCONSUL QUEBEC

AMCONSUL TORONTO

AMCONSUL VANCOUVER

AMCONSUL WINNIPEG

UNCLAS SECTION 01 OF 02 OTTAWA 00853

DEPT FOR JOHN ROUSE, EUR/CAN

DEPT PASS DOE/FERC FOR COMMISSIONER SMITH AND JOHN ADGER,
AND DOE FOR LES GOLDMAN AND ASSISTANT SECRETARY BERGOLD

E.O. 11652: N/A

TAGS: ENRG, PGOV, SENV, CA

SUBJECT: NORTHERN GAS PIPELINE: ENERGY, MINES AND
RESOURCES (EMR) MINISTER COMMENTS ON NATIONAL ENERGY BOARD
(NEB) PIPE SIZE AND PRESSURE RECOMMENDATIONS

REF: OTTAWA 845

FOLLOWING ARE QUOTES FROM EMR MINISTER ALASTAIR GILLESPIE'S
COMMENTS ON THE NEB'S PIPE SIZE RECOMMENDATIONS IN HOUSE OF
COMMONS FEB. 20 REPORTED REFTEL. QUOTED PASSAGES STRESS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 00853 01 OF 02 212248Z

GOC INTENTION TO CONSTRUCT DEMPSTER LATERAL CONNECTING
MACKENZIE DELTA RESERVES AND INDICATE HOW GOC MIGHT WANT TO
PROCEED TO AMEND ANNEX III OF PIPELINE AGREEMENT AND ENACT-
ING LEGISLATION (BILL C-25) TO ACCOMMODATE CHOICE OF 56-
INCH/1080 PSI SYSTEM:

"THE PRESENT BILL ASSURES CANADA THE CHEAPEST POSSIBLE

ACCESS TO OUR OWN DELTA RESERVES. IT PROVIDES THAT U.S.A. CONSUMERS WILL PAY THE FULL COST OF SHIPPING THE CANADIAN GAS FROM DAWSON TO WHITEHORSE IF THE CANADIAN SECTION OF THE LINE THROUGH THE YUKON COMES WITHIN 35 PER CENT OF THE ESTIMATED COST OF THAT LINE AND WILL PAY NOT LESS THAN TWO-THIRDS OF THE TOTAL COST OF BUILDING THAT SPUR FROM WHITEHORSE TO DAWSON IF THE ESCALATION IS GREATER THAN THE AMOUNT I JUST MENTIONED. THE EXACT SHARE WILL DEPEND ON THE FINAL COST OF THE COMPLETED PIPELINE. IN ANY EVENT, CANADIANS WILL BE ABLE TO GET MACKENZIE GAS IN CANADIAN MARKETS TRANSPORTED FROM THE MACKENZIE DELTA TO SOUTHERN GAS MARKETS AT A LOWER COST THAN AMERICANS WOULD BE ABLE TO GET AMERICAN ALASKA GAS TRANSPORTED FROM PRUDHOE BAY TO THEIR MARKETS. THAT IS CLEARLY A SIGNIFICANT BENEFIT TO CANADA.

"THE EXISTENCE OF THE ALCAN PIPELINE, THE FOOTHILLS (YUKON) PIPELINE, IS THE ONLY WAY AT THE PRESENT TIME OF ENSURING ACCESS TO PRESENTLY PROVEN RESERVES IN THE DELTA. THESE RESERVES WILL PROVIDE A SIGNIFICANT ADDITION TO CANADA'S PROVEN ACCESSIBLE RESERVES, BUT THEY ARE SIMPLY NOT LARGE ENOUGH TO JUSTIFY A CANADIAN PIPELINE AT THE PRESENT TIME.

"NATURAL GAS IS ONE OF OUR GREAT OPPORTUNITIES TO REDUCE DEPENDENCE ON IMPORTED OIL. BY MOVING NATURAL GAS,
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 00853 01 OF 02 212248Z

WHETHER FROM THE MACKENZIE DELTA OR ALBERTA OR THE HIGH ARCTIC INTO EASTERN CANADA BY MEANS OF THE PIPELINE PRESENTLY UNDER CONSIDERATION, AS WELL AS BY OTHERS WHICH MAY BE BUILT, SUCH AS A QUEBEC AND MARITIMES PIPELINE, A PROJECT WHICH THE FIRST MINISTERS ENDORSED FOR EARLY APPLICATION AT THEIR MEETING LAST WEEK, A PIPELINE COULD CARRY GAS FROM THE MACKENZIE ALL THE WAY TO HALIFAX, A PIPELINE WHICH COULD BE REVERSED SO THAT IF SIGNIFICANT FINDS OF NATURAL GAS WERE PROVED OFF SABLE ISLAND OR OFF THE LABRADOR SHORE--

"BUT SOME HON. MEMBERS MIGHT STILL SAY: SURELY ALBERTA HAS ALL THE GAS WE NEED; WHY GO UP TO THE MACKENZIE? IN THE REPORT OF THE NATIONAL ENERGY BOARD TABLED TODAY BY MY COLLEAGUE, THE PRESIDENT OF THE PRIVY COUNCIL (MR. MAC-EACHEN), WE FIND THIS REFERENCE TO THE PIPELINE ON PAGE SEVEN:

"WHILE RECOGNIZING THAT THERE HAS BEEN CONTINUING EXPLORATION SUCCESS IN THE WESTERN CANADIAN SEDIMENTARY BASIN SINCE THE TIME OF THE BOARD'S REPORT, IT IS THE BOARD'S EXPECTATION THAT A DETAILED REVIEW OF GAS SUPPLY

AND DEMAND IN CANADA, WHICH WILL UNDOUBTEDLY BE UNDERTAKEN WITHIN THE NEXT YEAR, WILL STILL INDICATE A NEED FOR THE DEMPSTER LATERAL PRIOR TO 1990.

"THE WORDS "PRIOR TO 1990" ARE TIED IN TO THE QUESTION OF THE 48-INCH LOW PRESSURE PIPE WHICH WAS RAISED BY CERTAIN MEMBERS OF THE TECHNICAL TEAM ON THE U.S. SIDE. MY ANSWER IS THAT WE CANNOT RELY SOLELY ON ALBERTA. WE HAVE TO DISTINGUISH BETWEEN A LONG TERM DELIVERABILITY SHORTAGE AND A SHORT TERM DELIVERABILITY SURPLUS. I SHOULD EXPAND ON THOSE TWO PARTICULAR DISTINCTIONS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 OTTAWA 00853 02 OF 02 212253Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 SOE-02 AID-05 CEA-01
COME-00 EB-08 DOE-11 H-02 INR-10 INT-05 L-03
OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07 TRSE-00
ACDA-12 PA-02 DOEE-00 /111 W
-----110712 212302Z /63

O 212237Z FEB 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 6381
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS SECTION 02 OF 02 OTTAWA 00853

"FIRST, I SHOULD LIKE TO COMMENT ON THE LONG TERM OUTLOOK. ALBERTA HAS SUFFICIENT LONG TERM DELIVERABILITY TO SATISFY CURRENT LEVELS OF CANADIAN CONSUMPTION, PLUS SMALL LEVELS OF DEMAND GROWTH, BUT ONLY UNTIL THE MID-1980'S. OUR MOST RECENT ESTIMATES SUGGEST THAT WITH MODEST INCREASES IN THE SHARE TAKEN BY NATURAL GAS, LONG TERM DELIVERABILITY FROM ALBERTA WILL ONLY BE SUFFICIENT TO MEET DEMAND UNTIL THE MID-1980'S. WITH LUCK, THE RESULTS OF THE INTENSE DRILLING NOW TAKING PLACE IN ALBERTA WILL ENABLE US TO EXTEND THIS DATE BY A FEW YEARS, BUT NOT BY MUCH.

"EVEN ALBERTA'S RESOURCES ARE FINITE. THE NEW DISCOVERIES BEING MADE THERE ARE SIMILAR TO THE OIL AND GAS DISCOVERIES BEING MADE ELSEWHERE IN THE WORLD. THE POOLS ARE SMALLER; THEY ARE HARDER TO FIND; AND RECOVERY IS MORE COSTLY. THESE FACTS ONLY SERVE TO CONFIRM THE BELIEF THAT

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 00853 02 OF 02 212253Z

THE LONG TERM AVAILABILITY OF GAS IS STILL VERY MUCH IN DOUBT. THIS IS ONE OF THE BASIC CONSTRAINTS THAT IS AT PRESENT INHIBITING THE EXPANSION OF GAS MARKETS IN EASTERN CANADA. IT IS ONE OF THE BASIC REASONS WHY SUBSTITUTION OF NATURAL GAS FOR OIL IS NOT TAKING PLACE AT A RATE THAT WOULD BE CONSISTENT WITH CANADA'S LONG TERM INTERESTS.

"THIS FUNDAMENTAL POINT IS OFTEN MISSED, HOWEVER, BECAUSE OF THE SECOND PHENOMENON NOW BEING EXPERIENCED IN ALBERTA; A SHORT TERM DELIVERABILITY SURPLUS. ALBERTA COULD NOW SUPPLY, FOR A FIVE OR SIX YEAR PERIOD, MORE GAS THAN IS REQUIRED TO MEET CANADIAN AND CURRENT EXPORT NEEDS. THIS IS WHY SEVERAL PROPOSALS HAVE BEEN TO INCREASE GAS EXPORTS TO THE U.S. ON A SWAP BASIS.

"THIS SHORT TERM DELIVERABILITY SURPLUS SHOULD NOT OBSCURE THE BASIC FACTS, HOWEVER. CANADA STILL DOES NOT HAVE ENOUGH GAS TO MEET ITS LONG TERM NEEDS, WHERE "NEED" IS HERE DEFINED SO AS TO INCLUDE A RAPIDLY INCREASING MARKET SHARE FOR NATURAL GAS. THE CURRENT RATES OF DISCOVERY IN ALBERTA ARE CERTAINLY ENCOURAGING, AND IT WOULD INDEED BE FORTUNATE IF LARGE, NEW ACCUMULATIONS PROVED UP IN CANADA'S WESTERN BASIN. BUT I DO NOT THINK WE CAN AFFORD TO TAKE SUCH A GAMBLE. WE CANNOT AFFORD TO SAY WE ARE SURE THAT THESE RESERVES WILL BE PROVED UP. IT IS QUITE CLEAR THAT WE NEED TO DEVELOP OTHER GAS PRODUCING AREAS IN CANADA AS WELL, AND WE HAVE TO TAKE ADVANTAGE OF EVERY OPPORTUNITY WE HAVE IN THIS COUNTRY. THE MACKENZIE DELTA-BEAUFORT SEA REGION IS ONE SUCH AREA OF LARGE NEW POTENTIAL, AND CANADIANS SIMPLY CANNOT AFFORD TO IGNORE IT. ACCESS TO THE GAS IN THE MACKENZIE-BEAUFORT IS CRUCIAL TO CANADA'S ENERGY FUTURE. IT IS FOR THIS REASON THAT I URGE AN EARLY PASSAGE OF THE BILL NOW BEFORE US.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 00853 02 OF 02 212253Z

"WITH RESPECT TO THE CHOICE OF PIPE, MENTION SHOULD BE MADE HERE OF PARAGRAPH 10 IN THE CANADA-UNITED STATES

AGREEMENT. THIS PARTICULAR PROVISION ALLOWED FOR CONSIDERATION OF ANY COMBINATION OF PRESSURE AND DIAMETER OF PIPE WHICH WOULD ACHIEVE SAFETY AND RELIABILITY AND ECONOMIC EFFICIENCY. ANNEX III TO THE AGREEMENT RELATING TO COST ALLOCATION CONTAINED COST ESTIMATES FOR 48-INCH AND 54-INCH DIAMETER PIPE. IF 56-INCH DIAMETER PIPE WAS CHOSEN IT WOULD REQUIRE AN ADDENDUM TO ANNEX III TO INCLUDE COSTS FOR THE 56-IN ALTERNATIVE WHICH HAD BEEN AGREED ON BY THE TWO PARTIES TO THE AGREEMENT. IT IS THE UNDERSTANDING OF THE GOVERNMENT THAT SUCH AN ADDENDUM WOULD BE CONSIDERED A TECHNICAL CHANGE. THIS COULD BE ACCOMPLISHED BY AN EXCHANGE OF NOTES FOLLOWING A MEETING OF CANADIAN AND UNITED STATES OFFICIALS TO AGREE UPON THE APPROPRIATE FIGURES TO INCLUDE IN THE ANNEX. INASMUCH AS THE CANADA-UNITED STATES AGREEMENT IS CONTAINED IN BILL C-25 AS SCHEDULE I, A CORRESPONDING AMENDMENT WOULD BE REQUIRED IN THE BILL AS WELL. THIS COULD BE INTRODUCED WHEN THE BILL IS CONSIDERED BY THE COMMITTEE." ENDERS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GAS PIPELINES, CENTRAL LEGISLATURE, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OTTAWA00853
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780078-1008
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780232/aaaabbjb.tel
Line Count: 242
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 65fa60d3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 OTTAWA 845
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3536114
Secure: OPEN
Status: NATIVE
Subject: NORTHERN GAS PIPELINE: ENERGY, MINES AND RESOURCES (EMR) MINISTER COMMENTS ON NATIONAL ENERGY BOARD (NEB) PIPE SIZE AND PRESSURE RECOMMENDATIONS
TAGS: ENRG, PGOV, SENV, CA, (GILLESPIE, ALASTAIR)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/65fa60d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014